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SUBJECT: LOOING AHEAD AT U.S.-KYRGYZ RELATIONS IN 2007

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Classified By: Amb. Marie L. Yovanovitch, Reason 1.4 (b) and (d).

11. (C) Summary/Introduction. Looking back on 2006, U.S.-Kyrgyz relations suffered a series of body-blows, including the unprecedented expulsion of two U.S. diplomats and a series of unfortunate incidents related to the Manas airbase that have undermined the U.S. image as a beneficial partner. President Bakiyev has further weakened relations by backsliding on democratic reforms, harassing his weak and divided opposition, reducing the scope of independent media, and encouraging anti-American sentiment for short-term political gain. Despite these negative trends, there exists here a political process with a refreshing degree of transparency, and Kyrgyz civil society remains strong and vibrant. The fundamental gains the Kyrgyz have made since independence -- the freedom to criticize government, a Parliament that can act independently of the President and Government, revolutionary land reform, grass-roots pressure to decentralize budgetary authority -- are likely irreversible and enjoy much popular support. In short, the authorities cannot simply do whatever they want. For 2007, our main objectives, broadly speaking, should remain safeguarding the presence and operations of the Coalition Airbase, while making the case that political and economic reforms are necessary for the country's development and long-term stability. Our challenge is to remain engaged and seek every opportunity to help the center of gravity swing the government back to pursuing the path of reform that the Kyrgyz people still support. While the current period is challenging, our role here is still important, and what we say matters. End Summary/Introduction.

Incidents at the Base

12. (C) 2006 proved to be a challenging year in U.S.-Kyrgyz relations. From the high point reached in July with renewal of our base agreement, the relationship has suffered a series of blows. The Kyrgyz now view the base through the prism of three incidents: the still unexplained August disappearance of Major Metzger, which many Kyrgyz interpret as American efforts to besmirch Kyrgyzstan's reputation; the late September collision of a U.S. tanker with a Kyrgyz civilian airliner that doubled as President Bakiyev's long-haul airplane; and the December shooting death of a Kyrgyz truck driver by a base security airman. Each of these incidents has undermined public and political support for the base, and each has generated much anti-American sentiment (often fueled by irresponsible GOKG statements and press that is heavily influenced by the government and Russian media).

13. (C) Cumulatively, they have led to the point where the GOKG may seek to radically revise the terms of the agreement to seek criminal jurisdiction over base personnel, increased compensation for the base, or both. Although it appears, for now, that the government agrees in private that the continued presence of the base is in Kyrgyzstan's interest, no government official is prepared to articulate this in public.

The net effect of this Fall's events is that it is now widely seen here to be "politically correct" to criticize the base specifically and the U.S. in general. By undermining U.S. credibility, this makes base operations far more complicated and diminishes our ability to push effectively for democratic reform.

Political Harassment on the Rise

14. (C) Our ability to influence developments in Kyrgyzstan has also suffered from a number of troubling actions on the part of the Kyrgyz. The July decision to PNG two of our

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political officers for maintaining contact with opposition leaders inaugurated what now appears to be a persistent effort on the part of some senior GOKG leaders to harass and intimidate the opposition into submission, and to disrupt and discredit the activities of U.S. based and funded NGOs operating in Kyrgyzstan. Thus we have seen an array of "dirty tricks" orchestrated against opposition leaders, from the botched effort to frame parliamentarian Tekebayev with heroin in September, to the selective application of the tax and intelligence services against the organizers of last November's public demonstrations against the President, to the latest incident in which a member of Parliament has been crudely accused of smuggling currency out of the country and who now faces trumped up criminal charges despite his parliamentary immunity.

15. (C) Our unofficial tally since the November demonstrations stands at 14 incidents of harassment, including against eight members of Parliament associated with the opposition. These efforts have been successful: presidential intimidation and an overt threat to dissolve parliament (thus stripping deputies of their immunity) bullied legislators into returning to him in December many of the presidential powers that he lost in the constitution that was passed in November. Several opposition leaders are so discouraged they are seriously considering leaving the country with their families; several have approached the embassy to inquire about asylum procedures and investor visas as contingency plans.

Targeting USAID and its Democracy Programs

16. (C) The government's thinly disguised efforts to beat down the opposition have been paralleled by the well-worn tactic, spearheaded in this case by Prosecutor General Kongantiev, to challenge the legal standing of USAID, its assistance programs, and our NGO implementers. Three democracy implementers, NDI, IRI and IFES, have been hounded

by the Prosecutor General's office to produce documentation on their staffs, their contractual relationship with USAID, and to explain how they receive funding from USAID. The Prosecutor General's office has also sent letters to the Embassy alleging that USAID and its U.S. NGO implementers are not in compliance with Kyrgyz law with respect to payment to the Social Fund for their Kyrgyz national employees. At one point, the Prosecutor General asserted (incorrectly) to the Ambassador that the 1993 bilateral assistance agreement was "invalid" because the Kyrgyz parliament had never ratified the document.

¶7. (C) Harassment of U.S. assistance implementers began after the November opposition demonstrations against President Bakiyev, during which government-influenced media asserted that U.S. NGOs were financing the demonstrations as part of a plan to foment a "color" revolution and bring down the Bakiyev government. The latest twist is that the Kyrgyz Ombudsman has announced he will investigate NDI's violation of the rights of Kyrgyz citizens regarding payments into the Social Fund. While there is some legal ambiguity regarding the obligations of assistance donors and their implementers to pay into the Social Fund on behalf of their Kyrgyz national employees, international donors have collectively approached MFA to resolve the issue. The Prosecutor General, in contrast, has ignored this initiative, and has singled out USAID and the three democracy implementers.

CIS Summit: Get your house in order

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¶8. (C) We have heard that Bakiyev was scolded by Putin and others at the late November CIS summit in Minsk. They told him he was losing his grip on the country and needed to take action to reassert his power and control. Certainly, his actions to date support this notion, and we have heard more than once that Russia's "managed democracy" is the model. It is ironic, but the steps we find so objectionable are precisely the ones that generate support among many of Bakiyev's CIS peers.

The Russia Factor: It's the economy, stupid

¶9. (C) Bakiyev's rapid rapprochement with Moscow, and coolness toward the U.S., has also been a significant factor over the past several months. His foreign policy has emphasized bilateral relations with neighbors, CIS and SCO partners. Primus inter pares is Russia. Setting aside the deep cultural, political, historical and linguistic ties, which run deep throughout the CIS, remittances and trade provide two overwhelming economic reasons for Bakiyev to pay acute attention to Moscow.

¶10. (C) Kyrgyzstan officially acknowledges that about 350,000 Kyrgyz citizens work in Russia, and IOM estimates the number to be at least twice that amount. With a total labor force of two million, this means that one in three working-age Kyrgyz find employment in Russia. Their remittances amount to an estimated \$500-750 million annually. For comparison, Kyrgyzstan's state budget is around \$400 million per year. Russia looms large in trade statistics as well, with two-way trade reportedly increasing 50% in 2006 to \$850 million. In comparison, U.S.-Kyrgyz trade was less than ten percent of this volume, at \$67 million for the first eleven months in 2006. In economic terms alone, Kyrgyzstan's economy -- and Bakiyev's government -- is joined at the hip with Russia's more than with any other Central Asian state.

Looking ahead

¶11. (C) Given this broader context, and with the latest constitutional round, the change in government, and the

harassment and threats the opposition and NGOs have been facing since early November, we are less optimistic about the chances for reform than we were heading into last summer. Few here are acting out of conviction, or according to the rule of law. No one appears to want to work cooperatively to share power. It is a zero sum game, with personal wealth, power and prestige the prize.

Continued political turmoil

¶12. (C) Our hunch is that this latest constitutional agreement will last only until the opposition figures out its next move, renewing the pattern of each month bringing a different form of the same political crisis. That kind of unpredictability does not move Kyrgyzstan forward. A second, worse, scenario is that the President really does hold all the high cards, and he, ll continue to play them. While we are told that the December 30 passage of a new constitution was undertaken for the good of the country, the fact remains, that the Presidency regained significant powers with this new constitution. Prime Minister Kulov is out, and it is an open question whether the new Prime Minister will have any autonomy. The new cabinet will be appointed by the President (not the Prime Minister) and parliament is an institution

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under fire. While a number of judges were appointed to fill longstanding vacancies, the Constitutional Court is not operational, and the President wields de facto control over the judicial branch through his ability to appoint and fire judges. While these are not positive developments, they are the result of a nascent political process, much of which is played out in detail in the media.

Opposition Unlikely to Provide Better Government

¶13. (C) Barring an unlikely violent scenario, we do not see the opposition taking power; even if they did, it would probably be more of the same as the leaders are also focused on personal gain, making it difficult to remain unified. There might be some initial progress on economic reform, but it would be fueled by a desire to take more profits for personal gains (i.e. privatization of the energy sector is absolutely vital to the country's economic development, but only if implemented transparently). None of these scenarios provides much hope for a pro-reform agenda to take off in Kyrgyzstan. We therefore expect, on the democracy side, that the gains made since March 2005 will likely continue to steadily erode, with the possible exception of decentralization.

Continued Distraction

¶14. (C) Even in a best case scenario in which everyone here wants to push forward a reform agenda, we need to acknowledge the political reality that the Kyrgyz have just embarked on a political process to figure out the December 30 constitution and put together a new government with a new Prime Minister. This would sidetrack any administration and will make it hard to get the Kyrgyz to focus on foreign affairs and the issues that matter to us for the next couple of months. In addition, it is possible that there will be demonstrations in the Spring and early parliamentary elections.

Uncertain Ally

¶15. (C) This uncertainty on the domestic side makes an uncertain ally for the United States. Both the opposition and the administration make political hay at our expense, and issues that should be resolvable become mired in politics. Issues that have been resolved get re-opened, and less high-profile issues that we need assistance on are shunted

aside because everyone (including Ministers) are afraid)- or disinclined -- to make decisions. While the unpredictability of the present domestic situation is bad for bilateral relations, if Bakiyev were to succeed in silencing the opposition, the situation would probably not improve bilateral relations as Bakiyev is not a constant ally and will make pronouncements and take positions as the wind blows him. Further, even in this environment, he has made no attempt to hide his preference for tilting Kyrgyz foreign policy towards Russia.

Tough slogging on reform

¶16. (C) In short, as the New Year opens, we will need to continue to engage Kyrgyzstan at as high a level as we can muster to protect our equity in the base and keep on encouraging reform. If we don't get hit with more incidents at the base, we believe we can work through the current difficulties there. However, we need to be realistic

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about making much headway on the reform agenda on issues related to media freedom, checks on harassment of the opposition, and tackling high-level corruption. We should continue to engage and maintain our assistance programs, but tangible progress from our engagement on political reform will take a long time. We are looking at generational rather than revolutionary change, positive change in discrete areas with like-minded individuals, rather than sweeping reform. As we think about where we want Kyrgyzstan to be in a year and where we want the bilateral relationship to be, we need to be realistic about what we think we can achieve) even as we continue to push the Kyrgyz. That said, we also believe that things here can change quickly and unexpectedly so we need to keep at it in order to take advantage of opportunities as they arise.

And MCA?

¶17. (C) All this raises questions about the MCA Threshold program for Kyrgyzstan. Political will for reform is clearly an open question; however, there are three positive reasons to support the Threshold program for Kyrgyzstan. First, while we may find the political process here messy and unclear, the fact remains that there is/is a political process that requires accommodation and negotiation. More or less, the process works through institutions and laws. Second, the MCA program guarantees us a seat at the table on the crucial issues of anti-corruption and law enforcement reform, allowing us to help move these processes forward. Third, when the Ambassador objected to the January appointment as MCA coordinator of Presidential crony and Security and Defense Advisor Kubatbekov, who we know to have tolerated corruption in his subordinates when he was the Kyrgyz Drug Control Agency director, the President rescinded the appointment. This indicates there is a strong interest in the program and responsiveness to our concerns.

¶18. (C) Our firm view is that we should finance this anti-corruption/rule of law program with the caveats that are already built in: without progress on the part of the government, we don't provide further funding. If we do not finance the program, all the naysayers like Acting FM Jekshenkulov will simply tell the President (once again) that Kyrgyzstan was never going to get the program and the West has simply showed its true colors. If, on the other hand, we fund the Threshold program, it will be up to the Kyrgyz to succeed in an area that we -- and they -- see as fundamental to the country's successful development.

How to Engage the Kyrgyz

¶19. (C) Looking beyond MCA to the broader relationship, we

see several ways to keep the Kyrgyz engaged on reform. High level exchanges are important, but robust travel of Kyrgyz officials will be hard, given the protracted political turmoil here. With the prime minister appointment apparently resolved, Parliamentary speaker Sultanov is traveling to the U.S. this week for meetings. We should extend early invitations as well to newly appointed Prime Minister Isabekov; and to the new Foreign Minister (as we believe Jekshenkulov will be replaced). U.S. visits here are also essential; the visits by A/S Boucher, DAS Feigenbaum and SCA/CEN Spratlen have helped at key intervals; we urge the bureau to continue to send key officials periodically. It would also help to have a visit at the Under Secretary level, to tend to our core equities in the Base and on democratic reform. We understand that realities in Washington will make

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travel difficult; therefore we recommend that, as the situation warrants, we use periodic letters from senior U.S. policymakers as a vehicle to express concern or appreciation for Kyrgyz actions. For all the challenges facing our policies here, the fact remains that the Kyrgyz still attach significant importance to the cache of U.S. approval of their policies.

¶20. (C) The above steps will complement and shore up our daily efforts to reach out to key decision-makers and protect our equities and promote U.S. interests here. To address the particular challenges we face now, we are initiating a country team effort to put out one positive story per week about the impact U.S. assistance has on the lives of the Kyrgyz people. We use opportunities such as the provision of humanitarian assistance to earthquake victims, the opening of American corners in regional cities, the handover of border control equipment, and the transfer of security assistance to generate positive media coverage of the U.S. presence in Kyrgyzstan. This February marks the 15th year of the opening of the Embassy in Kyrgyzstan, and this March will mark the second anniversary of the Tulip Revolution, and we plan to place op-ed pieces in the national media to mark both occasions, noting the shared goals that are at the core of our diplomacy here. These public efforts, coupled with our aggressive use of the continued good access we have here to senior officials, and supplemented with periodic support from Washington can provide a way forward as Kyrgyzstan struggles to achieve the political stability needed to make it a more reliable partner.

YOVANOVITCH